

**COUNCIL WORK SESSION  
REVIEW AUDIT REPORT FOR PERIOD ENDED 2-28-05  
MONDAY - SEPTEMBER 12, 2005**

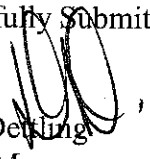
Council Attendance: Shawn Keough, Jim Carson, Terry Walters, Jim Seta, Paul Cousins

Attached is the presentation Rana Emmons, of Post, Smythe, Lutz and Ziel LLP made to Council. This document provides color graphs to support pages of the audit that were focused on at the meeting. Ms. Emmons also discussed several of the recommendation made in her letter dated July 20, 2005. A copy is include with the minutes.

Next steps:

- Review suggestions made to strengthen internal controls and operating efficiencies and develop implementation strategies

Respectfully Submitted

  
Donna Detling  
Village Manager

Approved for Filing: September 26, 2005

# **POST, SMYTHE, LUTZ AND ZIEL LLP**

*Certified Public Accountants*

## **PLYMOUTH**

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Sharon Walz Duckworth, C.P.A.  
Cari A. Ford, C.P.A.  
Wendy Leung Lee, C.P.A., C.V.A.  
Therese Mulholland, C.P.A.

## **PRESENTATION TO THE VILLAGE COUNCIL**

### **VILLAGE OF DEXTER**

**SEPTEMBER 12, 2005**

**RANA M. EMMONS, C.P.A., PARTNER**

**POST, SMYTHE, LUTZ AND ZIEL LLP**

### Profile of Independent Auditor

Post, Smythe, Lutz and Ziel is a "local" firm with offices located in Plymouth and Wayne, Michigan. The firm was established in 1961, and has specialized in performing audit and consultation services to local units of government since its formation. Our firm has seven partners and 9 professional staff (CPA's and CPA candidates).

### Peer Review

Post, Smythe, Lutz and Ziel participates in the A.I.C.P.A. peer review program. We received an "unqualified" opinion from our reviewer.

### Auditing Experience

We are proud to say that we are providing auditing and consulting services to 30 local units of government.

### Partner's Resume

Rana M. Emmons, C.P.A.

### Professional Experience

Over sixteen years of diversified accounting and auditing experience, including assisting in revising the State's Uniform Reporting Format, Form F-65, Uniform Chart of Accounts, and Uniform Accounting and Budgeting Manual. In the past thirteen years has participated in audits of:

- City of Milan
- City of Clawson
- Charter Township of Lyon Downtown Development Authority
- Village of Lake Orion Downtown Development Authority
- Huron Utilities Authority
- Barton Hills Village
- Dexter Township
- Freedom Township
- Charter Township of Lyon
- Pittsfield Charter Township
- Charter Township of Ypsilanti
- Charter Township of Oxford
- Manchester Township
- Hamburg Township Library
- Village of Lake Orion
- Village of Dexter
- Addison Township

### Education/Certifications

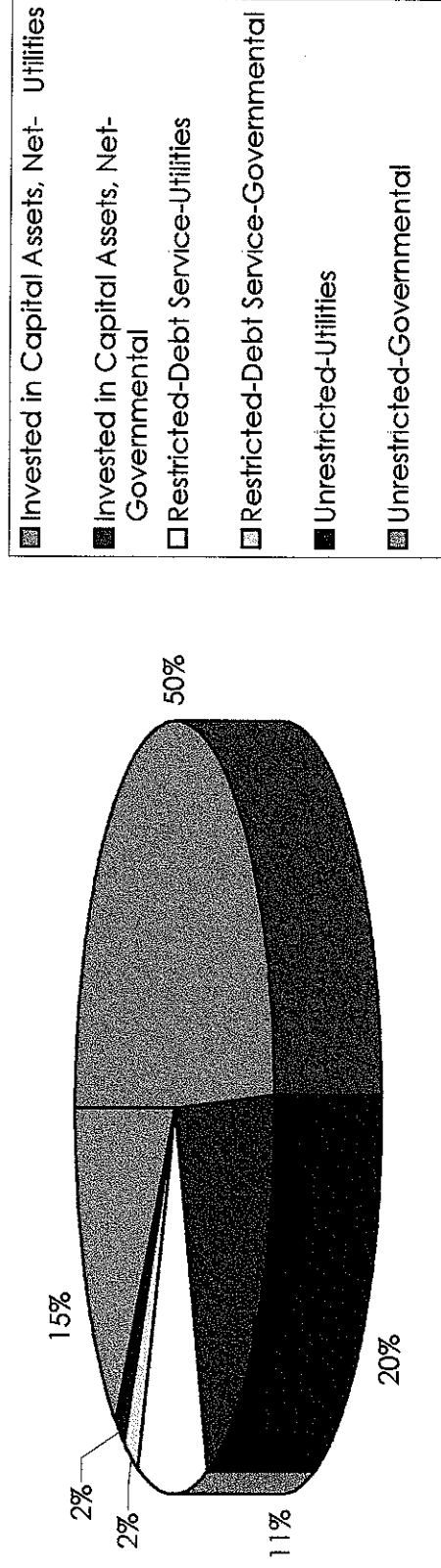
Bachelors Degree - University of Michigan, Ann Arbor - Major: Accounting

Certified Public Accountant - State of Michigan, Certificate #22716

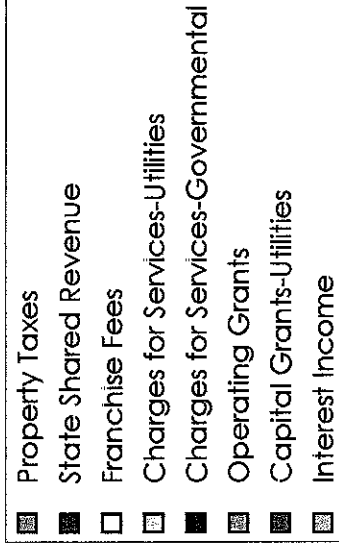
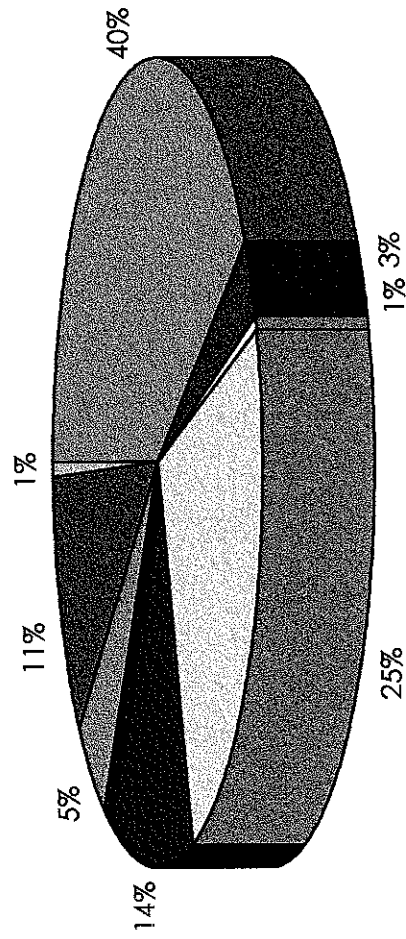
### Professional/Business Memberships and Organizations

- American Institute of Certified Public Accountants
- Michigan Association of Certified Public Accountants
- Oakland County Treasurer's Association
- Oakland County Chapter Michigan Townships Association
- Government Finance Officer's Association
- Michigan Municipal League
- Michigan Municipal Finance Officers Association Accounting Standards Committee
- State of Michigan Committee on Governmental Accounting and Auditing

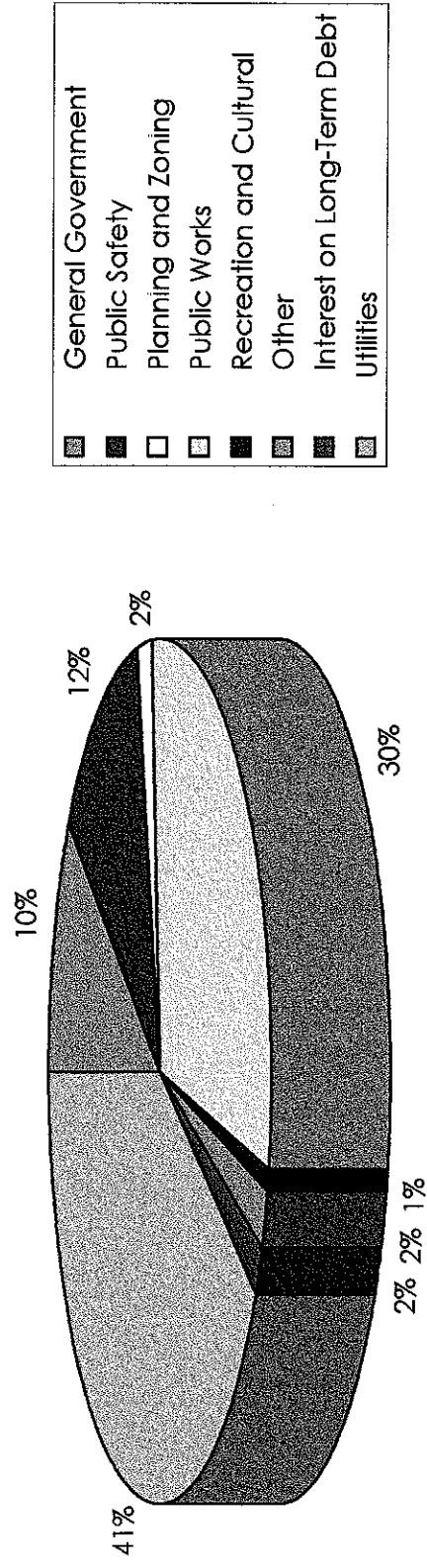
# Village of Dexter-Net Assets Full Accrual-page 10 of Annual Report



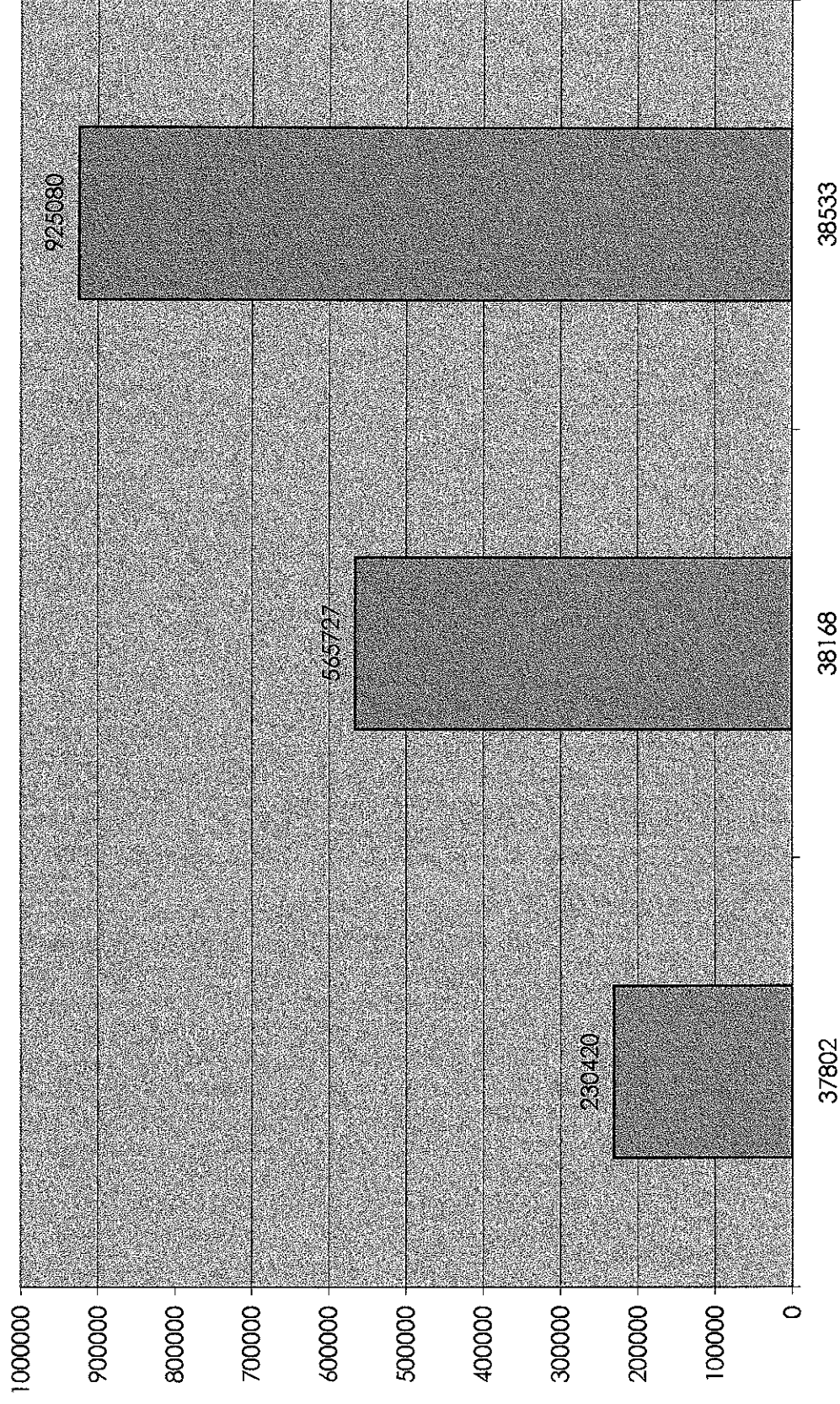
# Village of Dexter-Statement of Activities-Revenues Full Accrual-pgs 11-12



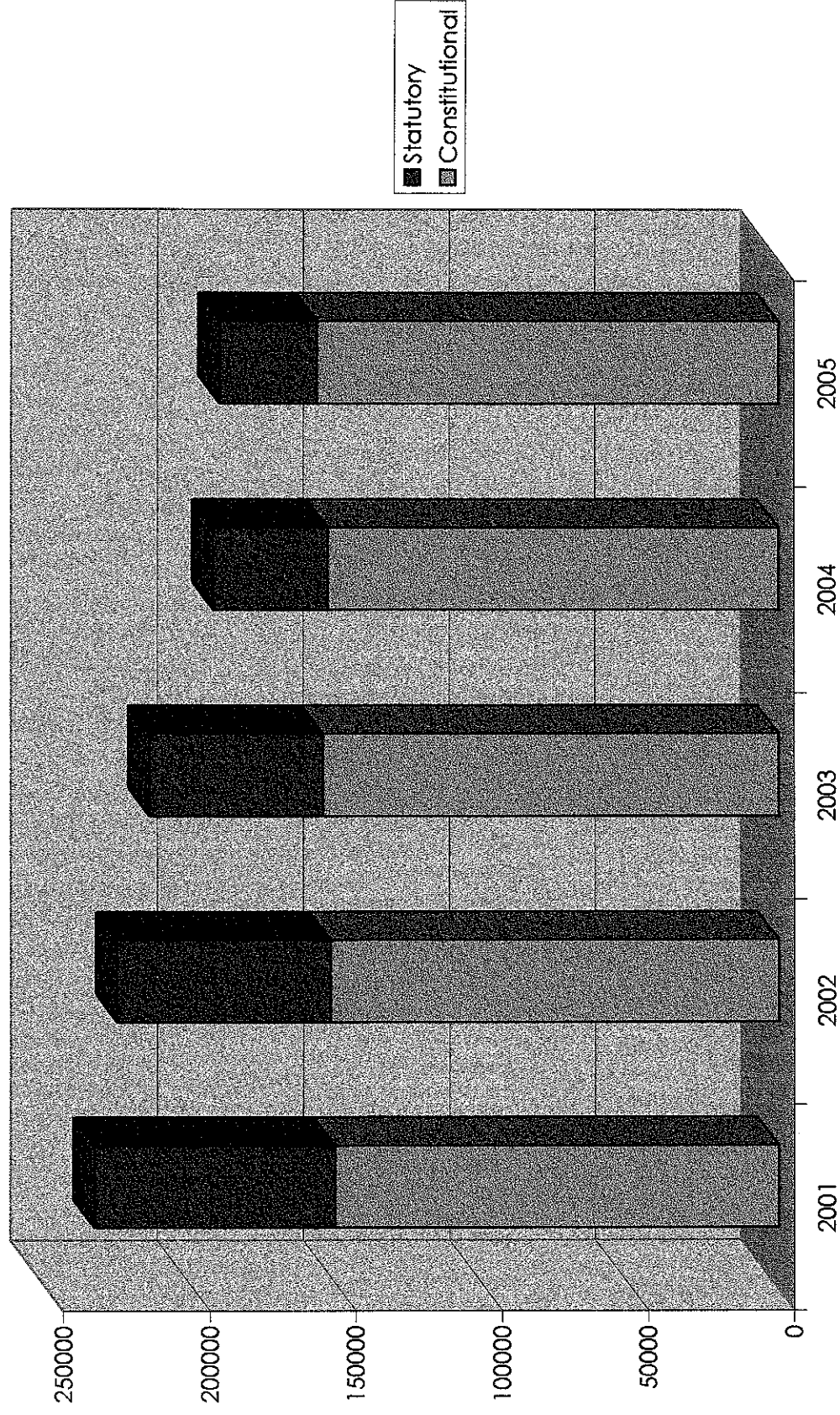
# Village of Dexter-Statement of Activities-Expenses-Full Accrual-pgs 11-12



**Village of Dexter-General Fund-Fund Equity-Modified Accrual page 13**

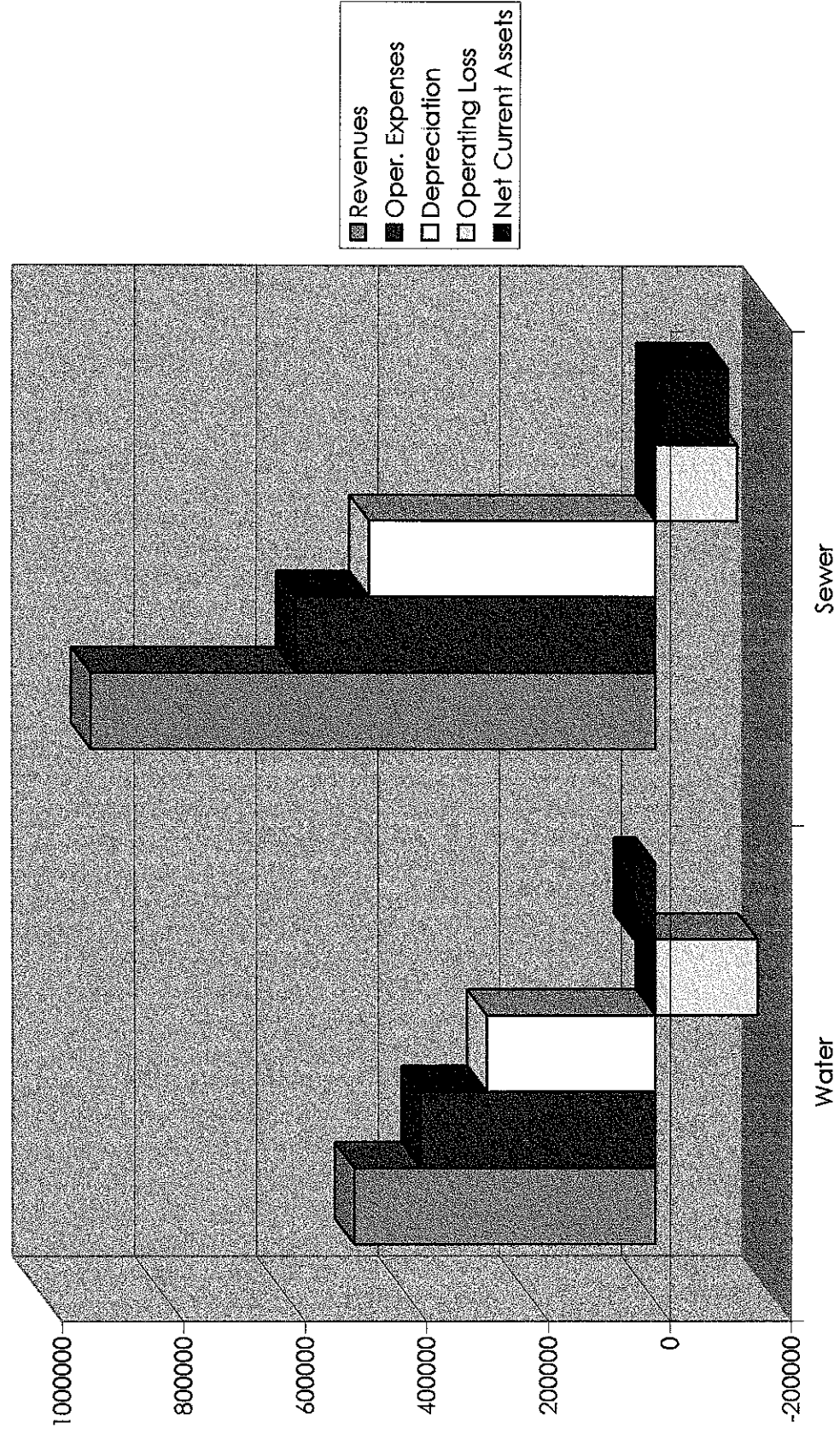


**Village of Dexter State Shared Revenues-State Fiscal Year**





# Village of Dexter-Water and Sewer Funds Selected Results pgs 16-18



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July 20, 2005

Honorable President and Village Council  
Village of Dexter  
Washtenaw County, Michigan

In planning and performing our audit of the Village of Dexter for the year ended February 28, 2005, we have considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated July 20, 2005, on the financial statements of the Village of Dexter.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,

*Post, Smythe, Lutz + Ziel*

POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

#### Accounting Issues

The books of the Village appear to have been appropriately balanced at year end, however, revenues and expenditures do not appear to be recorded in a manner consistent with the Village's adopted budget. We recommend that the administration review the current revenues and expenditures and record the appropriate accruals as necessary to have their actual revenues and expenditures correspond to the Village's fiscal year and budget in all funds.

Also, transfers of cash between bank accounts should be made on a timely basis and thereby interest earned on investments will be more accurately reflected in the appropriate funds.

The Equipment Replacement Fund is recorded as a special revenue fund, but we could not locate the statutory authority for this fund. This fund appears to function as an internal service proprietary fund which internally "rents" the equipment to other funds to accumulate resources to purchase replacement equipment or repair and maintain existing equipment. We recommend that the administration research the authority and function of this fund and consider formalizing it into an internal service fund if appropriate.

#### Internal Controls

The cash receipts are currently balanced and deposited on a weekly basis. We recommend that the cash receipts be balanced and deposited on a daily basis and that all cash and checks be kept in a locked and secure location over night.

Utility billing adjustments made by the utility billing clerk should be approved by the Village Manager on a regular basis. This can be accomplished by printing a report directly from the utility billing software, and submitted to the Village Manager for approval. This has been discussed with the administration and staff, who have already implemented this procedure.

#### Water and Sewer Rates

Both the water and sewer enterprise funds have had operating losses in the current and prior years. We recommend that the administration review the user rates or obtain a rate study, of current rates and other charges necessary to recover future operational costs as well as repayment of debt in the respective funds.

#### Downtown Development Authority

During the course of the audit, we noted that there may be benefits to both the Downtown Development Authority Board as well as the Village Council and administration to have the DDA's accounting of cash receipts and disbursements administered by the Village. This would subject all DDA transactions to the same system of internal control as the Village, which includes segregation of duties. Also, this would greatly enhance the additional recordkeeping and compliance requirements for future grants that the Village and the DDA may be seeking for future projects. It would also ensure that statutory reporting requirements of the DDA are being met on an annual basis.